

LAFCO 3227

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**Staff Report Dated July 11, 2016
(LAFCO 3202)**

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

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DATE: JULY 11, 2016

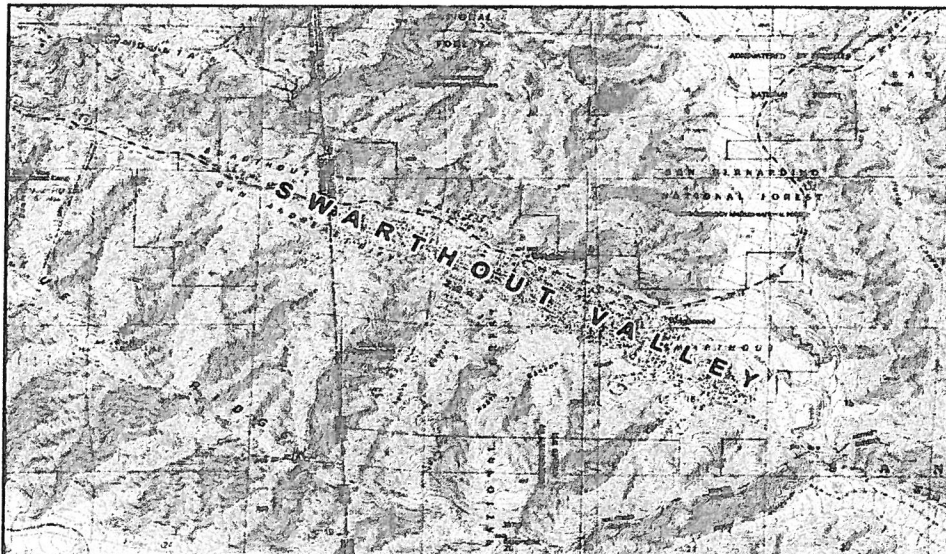
FROM: KATHLEEN ROLLINGS-McDONALD, Executive Officer
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TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: Agenda Item #9: LAFCO 3202 – Reorganization to Include Formation of the Wrightwood Community Services District and Dissolution of County Service Area 56

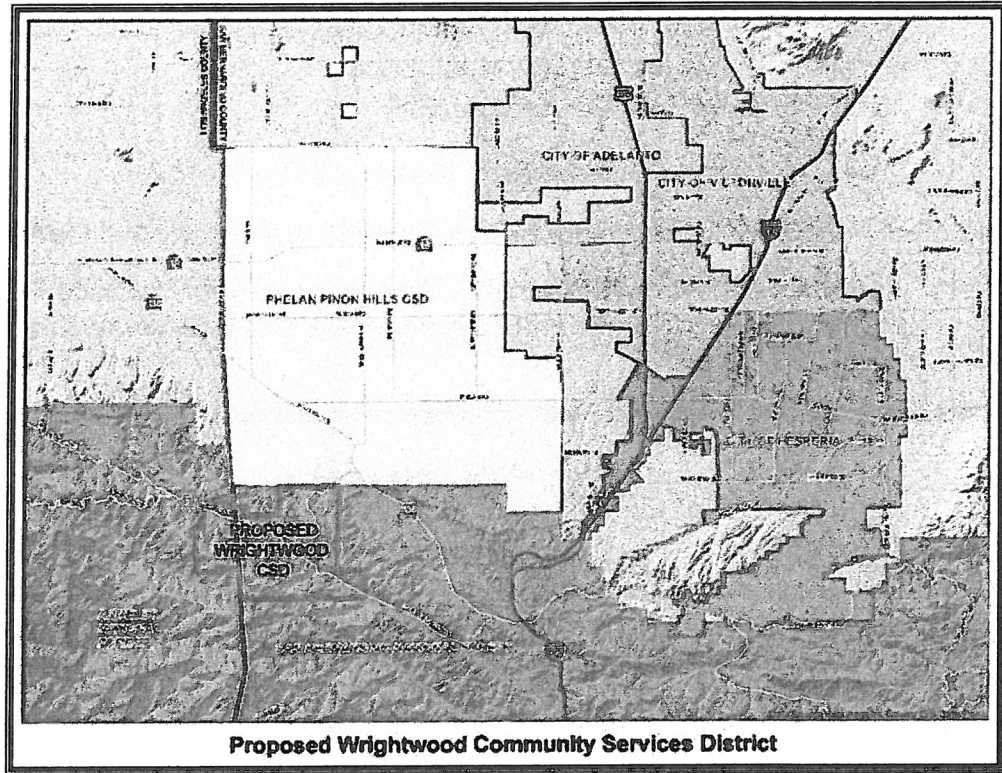
INTRODUCTION

The community of Wrightwood is a small mountain community located in the Swarthout Valley in the eastern San Gabriel Mountains. According to the Wrightwood Historical Society, the first permanent settlers in the area arrived in the 1800s as prospectors with the Swarthout family arriving in 1851 to ranch and graze cattle in the area. Wrightwood is named for Sumner Wright who owned the company which bought and sold the property in the community dating from approximately 1906. At present the community, on both sides of the Los Angeles/San Bernardino County line, has a permanent population of 4,525 (2010 Census data).



Topographic Map of Swarthout Valley

LAFCO 3202 is a proposal to form the Wrightwood Community Services District (hereinafter identified as "WCSD" or "CSD") for the community of Wrightwood generally located east and west of the Los Angeles/San Bernardino County line. The territory is generally east of Big Pine, south of the Phelan Pinon Hills Community Services District, west and north of parcels lines. Highway 2 traverses the community in a general east/west direction. The general location of the area proposed to become the Wrightwood CSD is shown below:

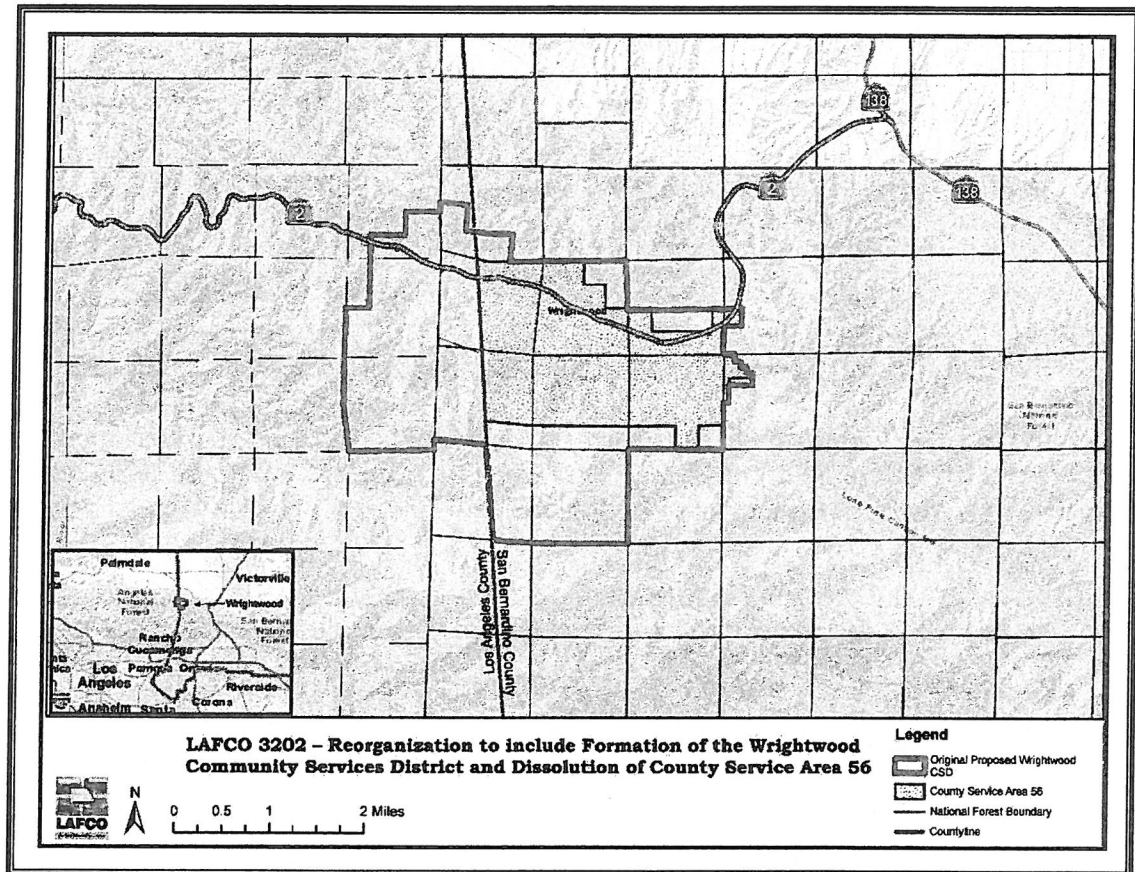


As shown, the proposal includes lands within both Los Angeles and San Bernardino Counties. For processing of this application, San Bernardino LAFCO is the "principal county". This determination is made based upon the County which contains the "greater portion of the entire assessed value" of taxable properties within the area. However, the processing of this application has been closely coordinated with Los Angeles LAFCO and the various affected departments within Los Angeles County.

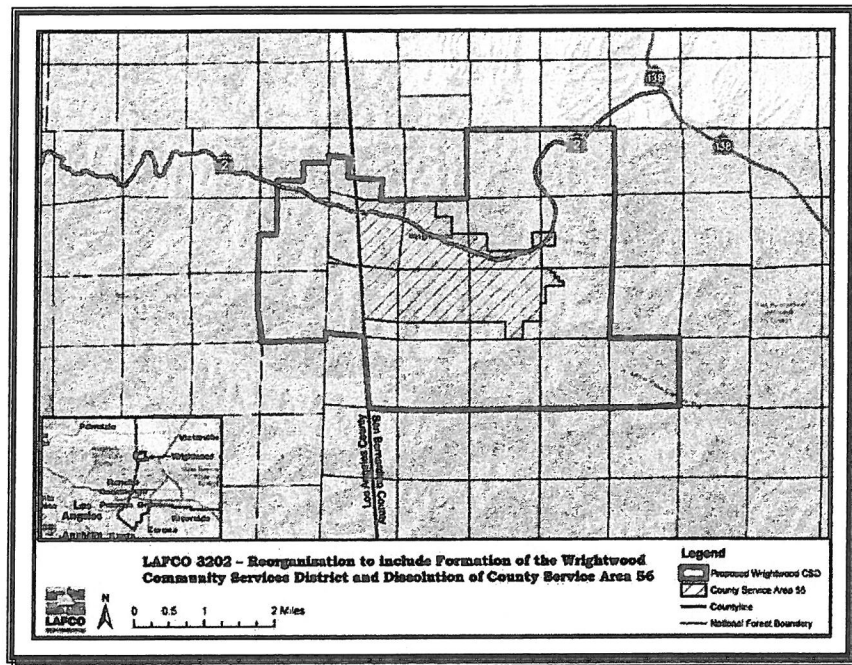
The proposal was initiated by the San Bernardino County Board of Supervisors through adoption of a resolution of application in response to requests made by the Feasibility Committee for a Wrightwood Community Services District (hereafter identified as the "Committee"). The Committee's request for initiation by resolution related to timing for consideration and the perceived burden of needing to gather signatures of 25% of the registered voters to initiate the proposal. The Committee provided to the First District Supervisorial Office its feasibility study evaluating the option of formation of a CSD and the letter of support from Supervisor Antonovich from Los Angeles County; thereafter, the San Bernardino County Board of Supervisors, on November 3, 2015, as an affected agency,

adopted Resolution No. 2015-217, formally initiating the application. No formal statement of community support has been provided for this proposal to either LAFCO staff or the First District office.

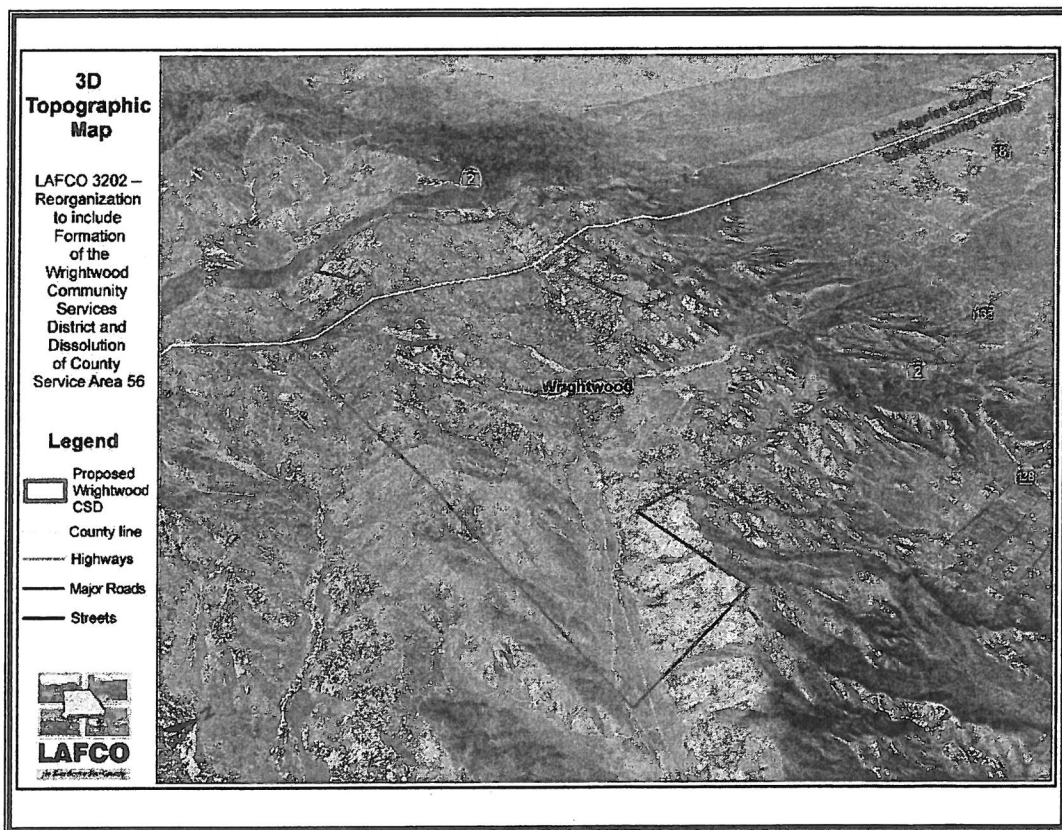
The proposal was initiated with an original boundary encompassing 6,012 acres (9.62 square miles). The area was identified as the generally accepted definition of the community of Wrightwood. This original boundary is shown below:



However, as LAFCO staff's analysis was undertaken, questions arose regarding whether or not the proposed boundary accurately reflected the community of Wrightwood, specifically for the territory within San Bernardino County. Following discussions with the proponent and the Committee, on June 6th, the boundary was expanded within San Bernardino County northerly to generally abut the Phelan Pinon Hills CSD boundary, and easterly to include additional territory along Lone Pine Canyon Road. The modified WCSD boundary encompasses approximately 17 square miles (10,739 +/- acres) located in the Swarthout Canyon area of the San Gabriel Mountains generally along the Angeles Crest Highway (State Route 2) east and west of the Los Angeles/San Bernardino County line as shown on the map which follows.



The proposed modification to the boundary was chosen based upon the topography and access to services through the proposed WCSD. The map which follows provides a topographic view of the expansion area looking northwesterly.



The proposal as presented to LAFCO provides for the new WCSD to be formed with the authorization of active functions/services for park and recreation, streetlighting, and solid waste/recycling services. An additional element of the proposed change is the dissolution of County Service Area 56 (serving within San Bernardino County) which currently provides park and recreation and streetlighting and is authorized to provide sewer services, but only its park and recreation and streetlighting services were proposed to transfer to the new entity as a function of the reorganization. The omission of the wastewater (sewer) function/service has been the topic of extensive discussion at the staff level and will be addressed in more detail in the narrative which follows. However, at this juncture it should be noted that LAFCO staff is proposing the expansion of the functions and services authorized the District, should it be approved, to include wastewater for planning and engineering purposes.

BACKGROUND

This hearing requires the presentation and consideration of the issues required for the formation of a new independent Community Services District. The evaluation of the reorganization will include a review of issues outlined by the Community Services District Law (Government Code Section 61000 et seq.), and by the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Government Code Section 56000 et seq.), as well as a number of Commission policy issues relevant to the review of the formation of an independent form of special district to govern the services of the community.

As noted above, the Board of Supervisors for San Bernardino County's initiation of this proposal was in response to a community-based Feasibility Study Committee which, after several years of discussion and review of the questions on governance of the community, recommended the formation of a Community Services District to provide for a single, multi-purpose special district as the preferred form of government for its community in both Los Angeles and San Bernardino Counties and to provide for local control of the selective services delivered to that community. When the Commission is to review the formation of a CSD, it must first look to the legislative intent provisions of CSD Law defined as follows:

"The Legislature finds and declares that for many communities, community services districts may be any of the following:

- (1) A permanent form of governance that can provide locally adequate levels of public facilities and services.*
- (2) An effective form of governance for combining two or more special districts that serve overlapping or adjacent territory into a multifunction special district.*
- (3) A form of governance that can serve as an alternative to the incorporation of a new city.*
- (4) A transitional form of governance as the community approaches cityhood."*

The recommendations of the Committee identified a consolidated, multi-purpose entity with a locally-elected board of directors as the preferred form of governance fulfilling the intent provisions of items (1), (2) and (3) outlined above. The formation of this agency cannot fulfill the directives of Item #4 as a city cannot include territory in more than one county. The Committee has outlined the assumption of responsibility for the existing services of park and recreation and streetlighting, along with the service of providing for solid waste to be active functions and services for the community with all other services available to a CSD to be considered latent powers, subject to further LAFCO review.

At the outset of this review, the Committee desired a November election date to coincide with the Presidential Election in November 2016. However, due to the processing requirements for a bi-county special district the matter could not be filed with the respective Registrars of Voters in time for that election. The next available election date is March 7, 2017. Even this date requires a very specific timeline of Commission actions necessary to place this item before the electorate on the March ballot. That timeline is as follows:

- The Commission must take its final action on July 20, 2016, if the determination is to approve the formation of the CSD and adopt its resolution setting forth the terms and conditions imposed upon LAFCO 3202;
- The adoption of the Commission's resolution starts the 30-day reconsideration period required by Government Code Section 56895 – July 20 through August 19;
- Following completion of the reconsideration period, the Protest Hearing will be scheduled providing for a 21-day protest period anticipated to be held on or about September 15, 2016;
- During this protest period, LAFCO staff will submit the approved map and legal description for LAFCO 3202 to the Registrars of Voters within San Bernardino and Los Angeles Counties as required by the September 8, 2016 deadline;
- Following completion of the protest, the Boards of Supervisors of Los Angeles and San Bernardino Counties will be requested to direct their respective Registrar of Voters place the matter of district approval and for the selection of the initial board of directors on the March 7, 2017 ballot at the request of the Commission. That submission to the Registrars is required by no later than November 2, 2016; and,
- Adoption of the Impartial Analysis for the election will be placed on either the December 2016 or January 2017 Agenda.

These timeframes are tight and do not allow for much latitude in processing.

As the evaluation of this proposal begins, State law and Commission policy requires that the Commission's decision must include, but not be limited to, answering the following questions:

1. Do the boundaries of the proposed new district make sense from a service delivery perspective for current and future growth? Are the boundaries reasonably

recognizable? Do they promote efficient service delivery? Do they represent a community of interest? Do the proposed boundaries infringe on other established spheres of influence that might impede achievement of Commission goals in those areas?

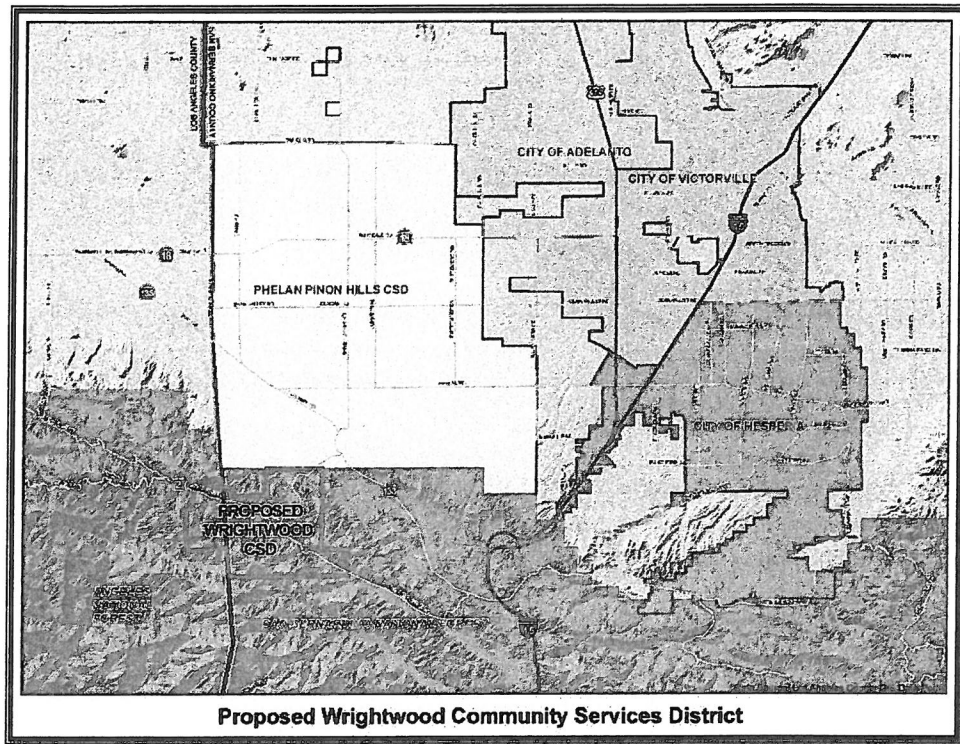
2. Would the formation of the new district impair the ability of any other agency to continue providing services? Would there be any adverse financial or service impacts on other agencies that would damage their ability to maintain service levels in other areas?
3. Is the proposed new district financially feasible and sustainable for at least the five years following formation? Can it, at least, maintain the pre-formation service levels that are currently provided within the study area?
4. Does the proposed formation represent the best available service option for the community? Are there better alternatives for the provision of the range of services within the study area? Does the proposed formation provide for a more efficient and accountable form of government?
5. Would the proposed formation have any adverse environmental effects that cannot be mitigated to a level of non-significance? If it does, can those adverse effects be overridden by other benefits?

The Commission's policies related to processing a formation proposal identify that the preference would be to annex to an existing agency rather than the formation of a new government, with the formation of a new government as the least desirable alternative. However, in this area there isn't an existing agency that could serve in both counties that has a relationship to the Wrightwood community. The Phelan Pinon Hills CSD is located to the north but has a distinct community of interest; County Service Area 56 is limited to territory within only San Bernardino County and, as a CSA, is a financing tool for the County to provide its range of services. The proposal does meet the Commission's policy of creating a multi-function agency rather than a single purpose entity for a community. As the Commission begins its analysis and consideration, its response to some of these questions may not be politically popular; however, the unique role defined for the Commission in State law requires that the answers to these questions on the systems to provide for the delivery of service be the focus of its consideration.

BOUNDARIES

Do the boundaries of the proposed new district make sense from a service delivery perspective for current and future growth? Are the boundaries reasonably recognizable? Do they promote efficient service delivery? Do they represent a community of interest? Do the proposed boundaries infringe on other established spheres of influence that might impede achievement of Commission goals in those areas?

The map below provides the outline of the boundaries as modified for the proposed Wrightwood CSD (WCSD) in a regional context. Of note, there are no regional services agencies on the Los Angeles County portion of the proposal, but a number of them on the San Bernardino County side.



The boundary presented for the WCSD is reflective of the identified community, including lands within both San Bernardino and Los Angeles Counties. It does not infringe upon an established sphere of influence or boundary of another serving agency. The existing agencies within the area and/or whose sphere of influence includes the area are:

- CSA 56, which serves the community of Wrightwood within San Bernardino County, and is proposed for dissolution.
- CSA 70 (which includes the entirety of San Bernardino County's unincorporated territory), whose sphere is coterminous with its boundaries.
- San Bernardino County Fire Protection District and its North Desert Service Zone for San Bernardino County, whose sphere of influence includes the area in San Bernardino County. In addition, the North Desert Service Zone has an existing contract with the Consolidated Fire Protection District for Los Angeles County to provide for service to its area.

- Consolidated Fire Protection District for Los Angeles County for the territory in Los Angeles County.
- Mojave Desert Resource Conservation District overlays the majority of the territory and is included within its sphere of influence within San Bernardino County.
- Golden State Water Company (a private water company) overlays the territory of the proposed District in both Counties and has no sphere of influence designation by either Commission.



The Commission's boundary determination needs to answer the questions identified in Commission policies and State law, identified as follows:

- Do the boundaries of the proposed new district make sense from a service delivery perspective for current and future growth?
- Are the boundaries reasonably recognizable?
- Do they promote efficient service delivery?
- Do they represent a community of interest?

- Do the proposed boundaries infringe on other established spheres of influence that might impede achievement of Commission goals in those areas?

As noted above, on June 6th the boundaries for the proposed WCSD were modified within the San Bernardino County portion to more accurately reflect the community of Wrightwood abutting the Phelan Pinon Hills CSD as you enter the community along Highway 2 and extending along Lone Pine Canyon Road. The boundaries as modified represent, in the staff's view, a cohesive socio-economic community of interest. Based upon this community definition, the boundaries as proposed represent a reasonable service boundary for current and future growth within the community. And finally, due to the isolated nature of this mountain community, the boundaries as modified represent an efficient service delivery pattern for the range of services contemplated by the proponents and the service addition identified by staff through the absorption of CSA 56 in the reorganization process.

SERVICE AND FINANCIAL CONSIDERATIONS

For the formation of a new agency, the most crucial and critical elements for consideration are the determinations related to financial and service considerations. State law requires that the Commission's decision must include, but not be limited to, answers to the following questions:

1. Would the formation of the new district impair the ability of any other agency to continue providing services? Would there be any adverse financial or service impacts on other agencies that would damage their ability to maintain service levels in other areas?
2. Is the proposed new district financially feasible and sustainable? Can it, at least, maintain the pre-formation service levels that are currently provided within the study area?
3. Does the proposed formation represent the best available service option for the community? Are there better alternatives for the provision of the range of services within the study area? Does the proposed formation provide for a more efficient and accountable form of government?

SERVICE CONSIDERATIONS

The Feasibility Study submitted for this application identifies that the services proposed to be provided through the Wrightwood CSD include streetlighting, park and recreation, and solid waste. The first two services are currently provided within the San Bernardino County portion of the area through CSA 56 which is proposed for dissolution as a function of the reorganization. There is no serving entity on the Los Angeles County side of the proposed reorganization. The proponents have identified the delivery of solid waste services to be provided within the community through the District. In addition, LAFCO staff has identified that CSA 56 is currently authorized sewer service for planning the delivery of a wastewater

collection and treatment service in the future should portions of the community be mandated to install this utility. The following provides a discussion of these services:

1. Streetlighting:

Streetlighting is currently provided in the San Bernardino County portion of the Wrightwood community through CSA 56 which provides for payment of the energy costs for 24 streetlights at an estimated annual cost of \$3,500 (approximately \$159 per light) plus administrative charges. The lights themselves, including poles and lamps, are owned by Southern California Edison which will remain unchanged in this reorganization process. There are no streetlights within the Los Angeles County portion of the Wrightwood community affected by this action as none are owned by a public entity. As more fully detailed in the financial portion of this report, the number of streetlights within the community is unclear; the Southern California Edison bills the County Special Districts Department for 24 lights; the listing of streetlight locations provided by the Special Districts Department identifies 25 lights and the Feasibility Study identifies 23 lights. A copy of the response received from the Special Districts Department (included as Attachment #__ to this report) identifies that a survey to verify this number will not be undertaken. However, as a condition of approval, LAFCO staff has included the standard language requiring the completion of the necessary paperwork for Southern California Edison to transfer the lights, which will include a listing identifying the lights.

It is staff's understanding that the community as a whole advocates for the principals of the Night Sky ordinance which would limit the installation of new streetlights to those which are the most unobtrusive and only where a clear safety concern warrants.

2. Park and Recreation:

Park and recreation services are provided within the Wrightwood community through the operation of the community/senior center and parks under the auspices of CSA 56. The services are available to the whole of the community be they residents of Los Angeles or San Bernardino County.

Staff has identified eight parcels of land within the Wrightwood community within San Bernardino County which are owned by CSA 56 and will be transferred to the new WCSD. However, two of the parcels are adjacent to the Wrightwood elementary School which prompts the question as to whether there are existing joint-use agreements for the facilities. If there are not (no such information has been provided in response to the review of the application), the new District if formed should pursue such an arrangement. If there are, then the standard condition of approval related to contracts will transfer this to the new WCSD.

3. Solid Waste:

The proposal has identified that the provision of solid waste (refuse) is to be an active function/service of the new Wrightwood CSD. The active function would be

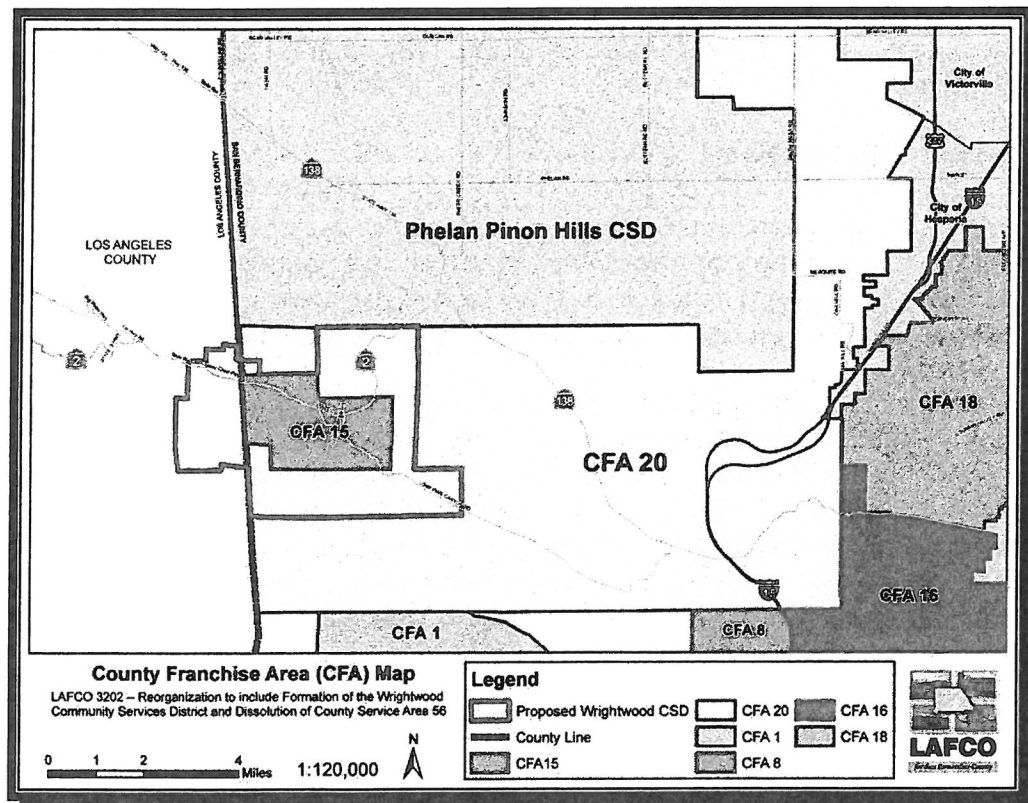
defined as solid waste and recycling. The delivery of this service illuminates the differences between San Bernardino and Los Angeles Counties and highlights the needs for a staffing pattern at the new entity which can address any concerns.

For Los Angeles County:

The response received from Los Angeles County identifies that the inclusion of residential customers under the Wrightwood CSD and its proposed franchise with CR&R does not pose an issue. This portion of the area is not within the County's residential Trash Franchise or Garbage Disposal District. However, Los Angeles County has identified that any franchise service contract proposed by Wrightwood CSD, including bin and roll-off rentals, should be non-exclusive in order to avoid conflict with the existing Los Angeles County Commercial Waste Collection Franchise.

For San Bernardino County:

The boundaries of the proposed district, as modified, includes the territory of County Franchise Area 15 (hereafter CFA 15) and portions of CFA 20; both are franchised to CR&R Waste and Recycling Services. The current contracts with CR&R are set to expire June 30, 2017 and would be renegotiated prior to the July 1, 2017 effective date of the formation of the Wrightwood CSD. The map below outlines the existing CFAs within the area.



Public Resources Code 40000 et seq provides the State's legislative intent on an integrated waste management system as a public health and safety concern and identifies that a cooperative regional approach is necessary to minimize the cost for service. Since the passage of AB 939, the State of California has shifted the responsibility for waste disposal from the haulers to the government jurisdictions. The County is responsible for the waste reduction programs implemented for the entirety of the unincorporated area of the County, including reporting and diversion programs. The Wrightwood CSD would be required to assume the following responsibilities related to solid waste collection and recycling:

- Implementation of AB 1826 mandatory commercial organics recycling which became effective January 1, 2016. This program requires that an entity conduct outreach and education to inform businesses on how to recycle organic waste, as well as conducting monitoring to identify those not in compliance. Organic waste is identified as food waste, green waste, landscape and pruning waste, nonhazardous wood waste, and food soiled paper waste mixed in with other food waste. As identified to LAFCO staff, this is a phased program beginning April 1, 2016.
- Mandatory commercial recycling (AB 341 effective January 1, 2011) requires that those businesses that generate four cubic yards or more of commercial waste per week must arrange for a recycling service. This requires an electronic reporting of a jurisdiction's activity to achieve the commercial source reduction.
- Implementation of Public Resources Code 40059 by determining "aspects of solid waste handling which are of local concern, including, but not limited to, frequency of collection, means of collection and transportation, level of services, charges and fees, and nature, location and extent of providing solid waste handling services". The existing franchise contract defines those responsibilities. However, one issue to be resolved is that the existing Franchise Agreement expires June 30, 2017, the day prior to the effective date anticipated for LAFCO 3202. The County will be negotiating the new agreement which will transfer to the new District and be required to be maintained for at least five years following the effective date. Thereafter, the District would need to make its own determinations.
- Compliance with Public Resources Code Section 41821.2. This would require compliance with the source reduction and recycling element and the household hazardous waste element of the County. The District does not currently, and is not anticipated to, include incorporated territory. The District will also be required to provide information on its programs, the amount of waste disposed and reported to the disposal tracking system of the respective County and the amount of waste diverted pursuant to the State's mandates for waste management.

The proposal identifies that the WCSD anticipates providing for these services through a part-time staff person and the General Manager. However, LAFCO staff

has learned that at least some of the Special District providers of solid waste service do not report to the County as required by State law, the entity responsible for the unincorporated reporting to the State for waste diversion. As a future discussion in the service review for solid waste service in the County as a whole, and that performed at the establishment of the sphere of influence of the District within one year, this reporting will be an aspect to be analyzed and reported to the Commission.

LAFCO staff has been provided with correspondence from CR&R Waste and Recycling Service, the current franchisee, that it has no objection to the application and the County's Solid Waste Management Division has provided no objection to the application noting that it will retain the responsibility for the area of CFA 20 outside of the Wrightwood CSD (copies of each are included as Attachment #3 to this report). The application identifies that the current franchise fee generated within District boundaries is estimated at \$61,623, primarily from San Bernardino County, but the area of Los Angeles County will be included for residential franchise as well.

Another aspect of Solid Waste and Recycling will be the transfer of the existing special tax of the County Land Use Solid Waste of \$85.14 per parcel (actual receipts would be \$84.89 [subtracting the 25 cent per parcel administrative charge]). This will include the administration of the "dump card program" and the supplemental materials submitted by the Committee which identify the desire for the WCSD to provide for a transfer station and recycling center in the future; however, no location has been identified in the community for this purpose. The issuance of the WCSD dump card program would require the completion of contracts with the County much like those implemented on behalf of the Helendale CSD and Phelan Pinon Hills CSD, and the County has provided copies of these along with its assurance that it will assist in this process (copies included as part of Attachment #6). The contract will need to be in place before the County will transfer the revenues of the special tax and will need to clearly identify whether it is for San Bernardino or Los Angeles County residents for accounting purposes.

Based upon the information provided by the Feasibility Committee, the receipt of these revenues will allow the District to fund development of programs for further source reduction and recycling efforts, including the potential for educational pursuits for the community in its efforts to reduce the waste stream going to the County landfill and necessary reporting requirements.

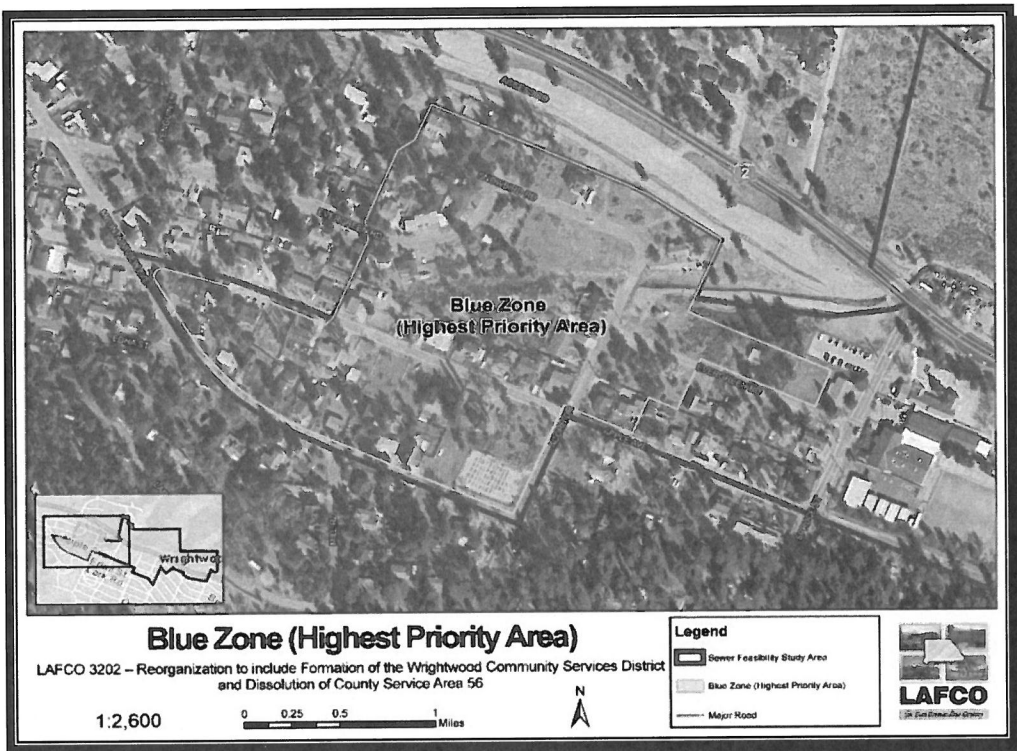
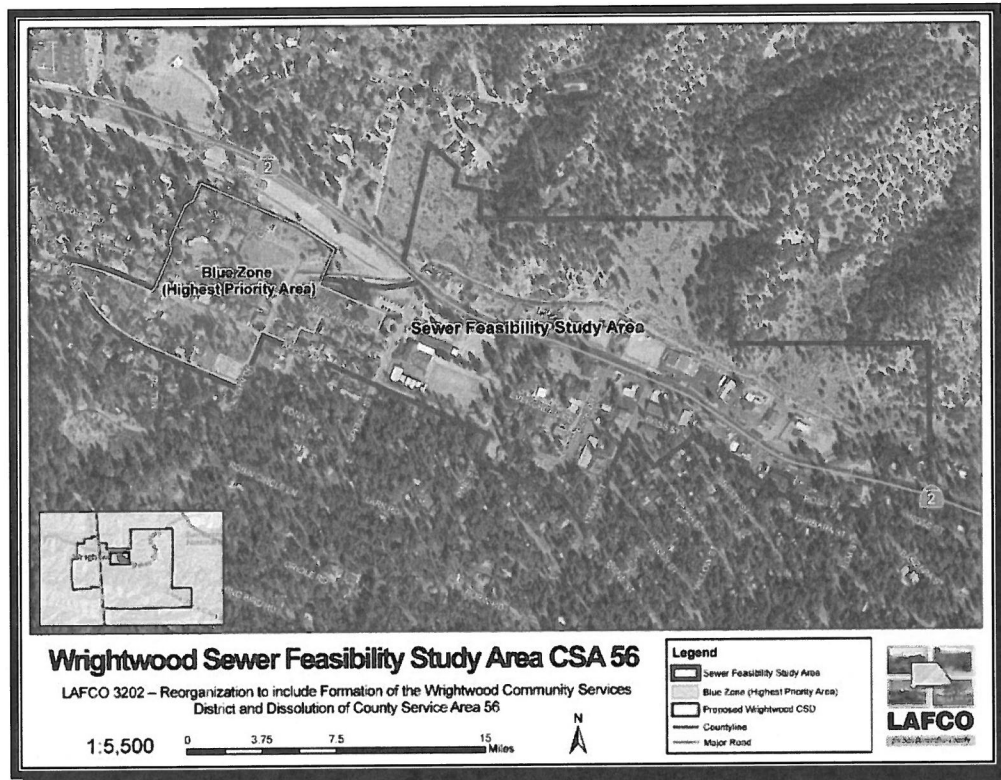
4. Wastewater:

At the outset of the review for LAFCO 3202, questions on the exclusion of wastewater from the range of services of the Wrightwood CSD were raised. The Committee has identified in its materials that the inclusion of wastewater (sewer) service would prompt a negative reaction by the electors; therefore they have limited the range of services to those of most interest to the community. The proponent, the County, has indicated that this is a question for the Commission to decide; while the

Special Districts Department has expressed its concern that the dissolution of CSA 56 will leave the area without a governance mechanism to address future decisions by the Regional Water Quality Control Board.

The intent of a Local Agency Formation Commission, as defined by the Legislature, is to define the systems for the provision of services to recognized communities based upon their needs and local resources to provide them. In looking at the question of wastewater service for the community of Wrightwood, LAFCO staff reviewed the question with both the Lahontan Regional Water Quality Control Board and the Special Districts Department. The requirement for sewerage a community is not typically espoused by a local agency, but is required to respond to health and safety concerns of a Regional Water Quality Control Board, like the requirement for sewerage Yucca Valley and the community of Yucaipa, mandates by their respective Regional Water Quality Control Boards. Staff's review of materials available online from the Lahontan Regional Water Quality Control Board (hereafter Lahontan) shows that for many years the question of on-site waste disposal (septic systems) for the densely developed downtown portion of the Wrightwood community (located in San Bernardino County) has been discussed.

- Since 1976 the Lahontan Regional Water Quality Control Board, through its Board Order No. 6-76-38 adopted on April 22, 1976, established the standards for discharge of waste through individual subsurface waste disposal systems (commonly septic tanks). CSA 56 was recognized as the entity responsible for these discharge requirements.
- In 2000 a sewerage feasibility study was done by Wilson So and Associates through the San Bernardino County Special Districts Department for CSA 56 which identified the areas of highest concern for small lots and shallow groundwater table. This was identified as the "Blue Zone" as identified in the Special Districts Department correspondence (a part of Attachment #5) and on the maps which follow:



- In 2013 Lahontan determined to rescind its Board Order No. 6-76-38 as it relates to CSA 56 as it noted that no public wastewater treatment facility was developed nor was there waste produced by CSA 56. This decision does not alleviate the Board's ongoing concerns about the community and the quality of the groundwater due to the on-site waste disposal systems. As identified in Lahontan's Executive Officer's report for September 16 – October 15, 2013, the local sewerage committee was to request that the Special District's Department take the lead on completing the sewerage option study. The Special District's Department response identifies that the mapping of the area has been done (as shown above) and that a consultant has been working on this question. The Special Districts Department has questioned what the responsible entity for continuing this study would be should LAFCO 3202 be approved and CSA 56 dissolved.

As stated at the outset of this discussion, the requirement for sewerage is not locally made, it is a requirement which may be imposed by a regional regulatory agency. In the staff view, the voice of the Wrightwood community needs to be heard on the question of the future sewerage of the area, and approval of LAFCO 3202 will replace the board-governed-entity with an independent board which should answer on behalf of the community. Therefore, LAFCO staff has proposed the expansion of the function/service to be authorized a new WCSD to include wastewater for the planning of a regional sewer entity. Should the WCSD then desire to actively provide wastewater collection and treatment service, it would be required to return to San Bernardino LAFCO for approval under the provisions outlined in Government Code Section 56824.10 et seq.

SERVICE DETERMINATIONS:

Based upon the information presented in this report, it is the staff's position that the Commission can make the following determinations:

1. In response to the question of whether the formation represents the best available service option for the community, the staff would respond in the affirmative if the issue of wastewater service is included on the basis that it provides for a single, multi-function entity to provide the services to the community rather than a continuation of a single multi-purpose entity located only in San Bernardino County. Approval of this application by the Commission, and ultimately by the electors, will provide for a locally-elected Board of Directors, with five members from the community, to determine the delivery of the services and to be able to represent the community to state agencies proposing the imposition of new services for the area.
2. The alternatives to the formation are the continuation of the status quo with the Wrightwood MAC responding on behalf of the interests of the San Bernardino County community and the Los Angeles County portion of the community without a voice on the delivery of these services. Incorporation of the area as a city is not available to the total community as a city cannot exist in two counties and the incorporation of only the San Bernardino County portion is not financially viable, in the staff's opinion. It is the staff's opinion that the creation of a single, multi-function Community Services District could assist the community, in both San Bernardino and Los Angeles Counties, in achieving local decision-making for the services the

community desires and can fund and provide for selection of the Board of Directors from candidates within the community, not just one side of the county line.

However, this is a small, isolated mountain community which poses the same questions as the Commission has fielded for the communities in the north desert – Yermo, Daggett, Newberry, and in the south desert community of Morongo Valley – regarding concerns on financial stability and governance issues. There is no mechanism to legislate good choices by a Board of Directors for the future decisions. In the staff's view, the exclusion of sewer service from the range of services to be provided by the WCSD by the community proponents does not reflect the needs of the community as outlined by information provided by and decisions made by the Lahontan Regional Water Quality Control Board for this community.

Therefore, the decision of the Commission on this determination will need to consider and reflect whether the choice is to approve LAFCO 3202 on the basis of providing for a community specific system for the delivery of service or deny the proposal on the basis the small size and isolated nature of the community does not provide for assurance on the question of financial stability for the delivery of those services.

3. It is the staff's recommendation if the Commission chooses to approve LAFCO 3202, that the authorized functions and services for the proposed Wrightwood CSD be identified as follows:
 - **Streetlighting** -- Acquire, construct, improve, maintain and operate streetlighting and landscaping on public property, public right-of-way, and public easements (§61100(g)).
 - **Park and Recreation** -- Acquire, construct, improve, maintain, and operate recreation facilities, including, but not limited to, parks and open space, in the same manner as a recreation and park district formed pursuant to the Recreation and Park District Law (commencing with Section 5780) of the Public Resources Code (§61100f)).
 - **Solid Waste and Recycling** -- Collect, transfer, and dispose of solid waste and refuse and provide solid waste handling service, including, but not limited to, source reduction, recycling, composting activities, pursuant to Division 30 (commencing with Section 40000), and consistent with Section 41821.2 of the Public Resources Code.
 - **Wastewater** – Planning and engineering for the potential development of a regional wastewater treatment system should such be required by the Lahontan Regional Water Quality Control Board in the same manner as a sanitary district, formed pursuant to Sanitary District Act of 1923 Division 6 (commencing with Section 6400) of the Health and Safety Code.

FINANCIAL CONSIDERATIONS

FINANCES: Does the proposed formation represent the best available service option for the community? Is the proposed new district financially feasible and sustainable? Can it, at least, maintain the pre-formation service levels that are currently provided within the study area? Will the proposed district have a reasonable reserve for the first three years of its existence?

The County has submitted a Feasibility Study, prepared by the Wrightwood Feasibility Committee, as a part of its application and has supplemented that document with additional information, as required by LAFCO staff, during the processing of the application. The Board Agenda Item initiating the application and the Feasibility Study are included as Attachment #2 to this report and the relevant supplemental information received during the processing of the proposal is included as Attachment #2. The Commission is required to review these materials, and the LAFCO staff response to them, in order to make its determinations.

In order to evaluate the proposed change in governance structure, the Commission needs to be aware of the historic provision of service to this community. The Wrightwood community has a single direct service provider and that is only defined within the San Bernardino County portion of the proposal, CSA 56. The services funded by this agency are park and recreation and streetlighting; however, the budget and audit documents only outline the park and recreation function. Streetlights have not been identified as a revenue or expense item for this agency though it provides for the funding for electric usage of between 23 and 25 lights based upon the information provided by the County Special Districts Department. The following materials provide for an outline of the current operations for CSA 56 based upon audit information:

COUNTY SERVICE AREA 56								
	2009	2010	2011	2012	2013	2014	2015	
REVENUES								
Property Taxes	\$ 144,632	\$ 131,981	\$ 114,777	\$ 117,626	\$ 116,141	\$ 119,583	\$ 120,845	
Other Taxes	15,102	21,421	9,694	-	-	-	-	
State Assistance	2,214	52,580	1,552	1,530	1,455	1,395	1,319	
Intergovernmental	-	-	150,000	-	-	-	-	
Investment Earnings	6,140	1,684	1,699	1,079	2,522	907	407	
Service Fees	14,269	11,919	15,736	21,967	26,734	22,731	17,897	
Other	1,308	300	6,716	-	-	-	-	
Total Revenues	183,665	219,885	300,174	142,202	146,852	144,616	140,468	
EXPENDITURES								
Salaries & Benefits	82,979	80,011	96,176	72,379	61,377	57,067	62,777	
Services and Supplies	95,975	70,183	49,413	45,158	75,613	65,096	87,603	
Capital Outlay								
Land	162,000	12,750		-	-	-	-	
Improvement to Land	24,457			-	-	-	-	
Debt Service								
Principal						41,509	26,893	
Interest						491	107	
Reserves and Contingencies								
Total Expenditures	365,411	162,944	145,589	117,537	136,990	164,163	177,380	
Net Change in Fund Balance	(181,746)	56,941	154,585	24,665	9,862	(19,547)	(36,912)	
Revenues over Expenditures	(181,746)	56,941	154,585	24,665	9,862	(19,547)	(36,912)	
OTHER FINANCING SOURCES								
Transfers In								
Transfers out	-	-	(70,000)	(130,000)	(50,000)	(232,522)		
Long Term Debt Proceeds						200,000		
Total Other Financing Sources	-	-	(70,000)	(130,000)	(50,000)	(32,522)	-	
Net Change in Fund Balance	(181,746)	56,941	84,585	(105,335)	(40,138)	(52,069)	(36,912)	
Fund Balance Beginning	357,979	176,233	233,174	317,759	212,424	172,286	120,217	
Prior Period Adjustment								
Fund Balance Ending	\$ 176,233	\$ 233,174	\$ 317,759	\$ 212,424	\$ 172,286	\$ 120,217	\$ 83,305	
source: Budgetary Comparison Schedule; for years ending June 30, 2009 - 2015								

The materials identify that for the past four audit years, the annual revenues of CSA 56 (including the transfer required by approval of LAFCO 3070) are insufficient to cover its annual costs, relying upon fund balance to provide for the normal day-to-day operations. LAFCO staff reviewed the proposed budget adopted for Fiscal Year 2016-17, but it did not provide for an itemization of the revenues and expenditures for CSA 56. Those revenues and expenditures were included in the general park and recreation district operations, so it is not known if this trend continues.

Property Tax Transfer:

The first order of business in evaluating a reorganization proposal which includes a formation requires staff to provide a determination on what the general ad valorem property tax transfer would be for this proposal pursuant to the provisions of Government Code

Section 56810. As this section of law requires, LAFCO staff contacted the County Auditor/Controller-Recorder for both San Bernardino and Los Angeles Counties and requested information regarding the property tax revenues attributable to the affected agencies for the services to be transferred. The Auditors' responses indicated that for Fiscal Year 2015-16 the property tax revenue distributions for the affected agencies within LAFCO 3202 were as follows:

LOS ANGELES COUNTY:

There were no detaching agencies and no general fund support for services proposed to be assumed by the WCSD	\$0
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SAN BERNARDINO COUNTY

The proposal includes the dissolution CSA 56 and transfer of its property tax allocation	\$62,699
No general fund support for other services proposed to be assumed by the WCSD	\$0

In the case where all the services provided by the entity are to be transferred, pursuant to Government Code Section 56810(d), the Commission shall transfer the full amount of the property revenues attributable from the area, which as shown above is \$62,699. However, the budget for the proposed WCSD identified the property tax revenue attributable for the first year (Fiscal Year 2016-17) as \$119,658; the budget for Fiscal Year 2015-16 and a review of audit reports for CSA 56 show an even higher rate.

The \$56,959 difference was questioned and set in motion an in-depth review of the actions taken during the formation process for the Phelan Pinon Hills CSD (LAFCO 3070). This process included a mitigation measure providing ongoing funding for park and recreation operations in Wrightwood through a secured funding stream for CSA 56 transferred from the revenues from CSA 56 Zone F-1 which was dissolved as a function of that review. LAFCO staff had assumed this was to be made through a transfer of base year allocation, estimated at \$40,000 for Fiscal Year 2007-08. However, the additional funding became a part of the "AB8 Factor" for an annual allocation process not a part of the base year funds for CSA 56. This process is outlined by the Auditor-Controller's response included as Attachment #__. Therefore, the determination and condition of approval for of the Commission for this proposal's related property tax will include the following additional criteria:

- *The full amount of the base year allocation for value/revenue for CSA 56, increment experienced within CSA 56 boundaries, and the revenue shifts previously approved by completion of LAFCO 3070 shall be transferred to the WCSD upon its formation;*

Based upon the calculation of Auditor-Controller this amounts to \$121,014 for Fiscal Year 2014-15 even though the Audit prepared for this identified the amount as \$119,583.

PROPOSED REVENUES AND EXPENDITURES:

With this determination made, the Commission can now turn its attention to the discussion of whether or not the Wrightwood CSD is financially feasible and sustainable, and whether

or not, according to Commission policies, it can maintain pre-formation levels of service. In order to make these determinations, the Commission is required to review the feasibility study presented by the proponents, with the supplemental documentation provided at the request of LAFCO staff, against Community Service District Law requirements, Cortese-Knox-Hertzberg Local Government Reorganization Act requirements, and the policies of the Commission.

Staff has prepared a series of tables which illustrate the revenue and expenditure data evaluated in the application, the Feasibility Study revenue and expenditure information presented by the Feasibility Committee, and LAFCO staff's determinations based upon supplemental information and discussions during the processing of this proposal. The budget spreadsheet submitted by the Committee has been reproduced by LAFCO staff and is shown below:

BUDGET AS PRESENTED IN FEASIBILITY STUDY

	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
REVENUE:					
Property Tax	\$ 119,658.00	\$ 119,658.00	\$ 119,658.00	\$ 119,658.00	\$ 119,658.00
Facility Rental	\$ 22,000.00	\$ 22,000.00	\$ 22,000.00	\$ 22,000.00	\$ 22,000.00
Solid Waste Franchise Fee	\$ 61,623.00	\$ 62,239.00	\$ 62,862.00	\$ 62,490.00	\$ 64,125.00
Special Tax for Solid Waste	\$ 224,088.00	\$ 224,088.00	\$ 224,088.00	\$ 224,088.00	\$ 224,088.00
Streetlights	\$ 3,500.00	\$ 3,500.00	\$ 3,500.00	\$ 3,500.00	\$ 3,500.00
Transfer in from Fund Balance	\$ 35,000.00	\$ -	\$ -	\$ -	\$ -
Total Revenue	\$ 465,869.00	\$ 431,485.00	\$ 432,108.00	\$ 431,736.00	\$ 433,371.00
EXPENDITURES:					
Salaries And Benefits					
General Manager/Admin	\$ 18,000.00	\$ 18,360.00	\$ 18,727.00	\$ 19,102.00	\$ 19,484.00
Park Staff	\$ 26,400.00	\$ 26,928.00	\$ 27,467.00	\$ 28,016.00	\$ 28,576.00
Solid Waste Staff	\$ 13,200.00	\$ 26,928.00	\$ 27,467.00	\$ 28,016.00	\$ 28,576.00
Total Salaries	\$ 57,600.00	\$ 72,216.00	\$ 73,661.00	\$ 75,134.00	\$ 76,636.00
Social Security Tax (Employer)	\$ -	\$ -	\$ -	\$ -	\$ -
Workers compensation	\$ -	\$ -	\$ -	\$ -	\$ -
Unemployment	\$ -	\$ -	\$ -	\$ -	\$ -
Medicare	\$ -	\$ -	\$ -	\$ -	\$ -
State Disability	\$ -	\$ -	\$ -	\$ -	\$ -
Total Salaries and Benefits	\$ 57,600.00	\$ 72,216.00	\$ 73,661.00	\$ 75,134.00	\$ 76,636.00
Services and Supplies:					
Election	\$ -	\$ -	\$ -	\$ -	\$ -
Attorney	\$ 20,000.00	\$ 12,000.00	\$ 12,000.00	\$ 12,000.00	\$ 12,000.00
Contract for Finance Support	\$ 12,000.00	\$ 12,000.00	\$ 12,000.00	\$ 12,000.00	\$ 12,000.00
Audit	\$ 6,000.00	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00
utilities	\$ 23,000.00	\$ 24,150.00	\$ 25,358.00	\$ 26,625.00	\$ 27,957.00
Miscellaneous	\$ 5,000.00	\$ 5,250.00	\$ 5,513.00	\$ 5,788.00	\$ 6,078.00
Insurance	\$ 3,500.00	\$ 3,500.00	\$ 3,500.00	\$ 3,500.00	\$ 3,500.00
Equipment and Supplies	\$ 30,000.00	\$ 31,500.00	\$ 33,075.00	\$ 34,729.00	\$ 36,465.00
Streetlights	\$ 3,500.00	\$ 3,500.00	\$ 3,500.00	\$ 3,500.00	\$ 35,000.00
Solid Waste Recycle program	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00
Solid Waste Disposal Fee	\$ 112,044.00	\$ 112,044.00	\$ 112,044.00	\$ 112,044.00	\$ 112,044.00
Skate Park Loan	\$ 27,000.00	\$ 27,000.00	\$ 27,000.00	\$ 27,000.00	\$ -
Total Services and Supplies	\$ 252,044.00	\$ 243,944.00	\$ 246,990.00	\$ 250,186.00	\$ 258,044.00
Contingency (10% of total Expense)	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL EXPENDITURES	\$ 309,644.00	\$ 316,160.00	\$ 320,651.00	\$ 325,320.00	\$ 334,680.00
Beginning Reserve	\$ -	\$ 156,225.00	\$ 271,550.00	\$ 383,007.00	\$ 489,423.00
Ending General Reserve	\$ 156,225.00	\$ 271,550.00	\$ 383,007.00	\$ 489,423.00	\$ 588,114.00

At the outset, LAFCO staff had questions regarding the financial assumptions included in the Five-Year financial analysis submitted. Staff's concerns regarding the revenues detailed above are as follows:

1. The property tax revenues identified do not provide for any annual increase even though Prop 13 provides for an annual increase in valuation of up to 2%. The proponents have maintained the level shown in budget documents for 2014-15 throughout the five-year period.
2. The Feasibility Study presented to the Commission anticipates the continuation of all existing fees and charges of the dissolving CSA 56 and proposes the receipt of both franchise fees from the operations of the solid waste hauler in the area, CR&R, along with the per parcel charge within San Bernardino County for dumping at its landfills of \$85.14 per developed parcel. However, it does not clearly identify that this per parcel charge will be extended to developed residential properties on the Los Angeles County portion of the WCSD which, in turn, will also require the tracking of information related to cost and waste disposed of separately for both Counties. It is staff's understanding that as a part of the reorganization this special tax will be extended to the entirety of the District.
3. The Feasibility Study identified a separate revenue source for streetlights. However, there is no separate entity that provides this service and the revenues are a part of the general property tax levy for CSA 56. In the staff's analysis of this proposal, this revenue line item has been removed.

Staff's analysis of the proposal has identified changes to the revenue projections which are included in the revised budget spreadsheet which follows.

EXPENDITURES:

The Feasibility Study provides an outline of the services to be continued and the budget anticipates the continuation of these services at present levels. Those services are park and recreation – through the administration of a senior center and community center with parks and a skate park; streetlighting – the maintenance of the existing streetlights in the Wrightwood community within San Bernardino County transferred by this action and the future operation of streetlights required through the respective County land use process recognizing the desire of the community for application of the Night Sky initiative; and the provisions of solid waste/recycling services through a franchise with CR&R as well the future operation of a recycling center and/or transfer station. The following are the areas of concern related to the expenditure information provided:

- Under normal circumstances when considering such a formation, the Commission would transfer the employees from the predecessor agency to the new agency which would continue its operations unimpeded. However, in this case, there are only extra-help employees assigned part-time to CSA 56, the balance of the staffing structure uses a "pooled" employee resource through County Service Area 70. Correspondence from County Special Districts identifies its desire for the part-time extra help employees to be transferred to the new agency; however, the feasibility

study identifies that only one position will be assigned for the operation of the park and recreation function based upon its perspective that a single employee at 29 hours per week could provide for the services of all the part-time employees. The feasibility study identifies that it will give preference to the existing employees to fill the position within the new agency. Therefore, should this proposal be successful County Special Districts may need to reduce the number of extra-help positions that it has for park operations through the parent district.

- The number of streetlights to be transferred and the method for funding their operation has been a question during the processing of this application. As to the question of expense, the budgets for CSA 56 do not identify the streetlighting operations so no historic expense can be reviewed. However, LAFCO staff did receive a sample bill from the Special Districts Department in response to questions on the proposal which indicates that the District had a rebate from Southern California Edison from 2013 through the April 2016 billing. Based upon the monthly cost shown on the March 2016 billing, the annual expense will be approximately \$3,721. An additional question is that the Feasibility Study identifies that there are 22 lights to be transferred, the Special Districts Department identifies (through the billing from SCE) that there are 24 lights, and the spreadsheet submitted with the Special Districts Department response identifies 25 lights. Staff has included these cost revisions in its analysis of the budget for future operations of this potential. In addition, as a condition of approval, staff proposes the inclusion of the following:
 - *All streetlights currently the responsibility of County Service Area 56 shall be transferred to the Wrightwood CSD upon successful formation of the District. The County Special Districts Department shall prepare the appropriate documentation to transfer the lights; LAFCO staff shall verify the data, and forward the signed authorization form requesting Southern California Edison to transfer the specific lights to the Wrightwood CSD accounts upon successful completion of LAFCO 3202.*
- The budget as presented does not include the payment of the mandatory taxes required of any employer in the State of California, and these have been added to the staff's revision of the budget which follows.
- The Feasibility Study proposes to pay its general manager less than subordinate staff for the same hours of work. The questions on the salary of the general manager were reviewed during the initial evaluation process with members of the Committee, but the Committee's response reiterated its position as documented in the supplemental submission of documents included as a part of Attachment #2 to this report. LAFCO staff continues to disagree with this position and has applied a revision in the general manager salary to provide for the industry minimum standard of providing for a salary at 20% above subordinate staff (both subordinate positions are proposed at the same salary level). This will bring the salary of the general manager to \$31,680 (approximately \$21 per hour) in the initial year, increasing in the same proportion as subordinate staff.

- The budget as presented did not include a contingency/reserve account as required by Commission policy and state law. Staff in its review has applied a 10% reserve/contingency account.
- The budget information provided did not identify the cost for a successful election, which would be the responsibility of the CSD if successful nor did it include the payment of subsequent board of director elections. LAFCO staff requested that the Registrar of Voters for San Bernardino County provide an estimate of the cost which was provided on June 20, 2016 set at \$46,000. This has been included in the staff's analysis of the budget for this agency along with one-half this amount to provide for the election of directors every two years.
- In July 23, 2013 the County Board of Supervisors approved a County Service Area Revolving Fund Loan to CSA 56 for the construction of skate and other park improvements in Wrightwood. This outstanding loan is estimated to be \$104,519 as of June 30, 2016. The original Feasibility Study submitted by the Committee identified the request that this loan be forgiven by the County based upon the cost savings to the County Special Districts Department through the transfer of operations to WCSD. At the time, LAFCO staff identified that this would not be the case; and the supplemental information identifies the continuation of this loan but no documentation has been provided either identifying how the loan will continue nor what the existing rates or terms of the loan, other than Resolution No. 2013-159 Section 2 (a)(3) which states that interest shall accrue at the current rate received by the County on similar types of transactions at the time the disbursement of the funds (a copy of this document is included as Attachment #8). This would have been the interest rate in 2013. Therefore a condition of approval is proposed to address this issue:
 - *Upon the effective date of the reorganization to include formation, the Wrightwood Community Services District, as the successor agency for County Service Area 56, shall continue to pay the installment payments required for the County Service Area Revolving Loan Fund Loan for development of the Skate Park and other improvements pursuant to Government Code Section 56886(a). The terms of that Loan are found in Resolution No. 2013-159 adopted on July 23, 2013.*

FINAL BUDGET WITH LAFCO STAFF CHANGES:

BUDGET AS REVISED BY LAFCO STAFF					
	FY 2017-18	FY 2018-19	FY2019-20	FY2020-21	FY 2021-22
REVENUE:					
Property Tax	\$ 121,014.00	\$ 123,434.28	\$ 125,902.97	\$ 128,421.02	\$ 130,989.45
Facility Rental	\$ 22,000.00	\$ 22,000.00	\$ 22,000.00	\$ 22,000.00	\$ 22,000.00
Solid Waste Franchise Fee	\$ 61,623.00	\$ 62,239.00	\$ 62,862.00	\$ 62,490.00	\$ 64,125.00
Special Tax for Solid Waste	\$ 224,088.00	\$ 224,088.00	\$ 224,088.00	\$ 224,088.00	\$ 224,088.00
Transfer in from Fund Balance CSA 56	\$ 35,000.00	\$ -	\$ -	\$ -	\$ -
Total Revenue	\$ 463,725.00	\$ 431,761.28	\$ 434,852.97	\$ 436,999.02	\$ 441,202.45
EXPENDITURES:					
Salaries And Benefits					
General Manager/Admin	\$ 31,680.00	\$ 32,313.60	\$ 32,960.40	\$ 33,619.20	\$ 34,291.20
Park Staff	\$ 26,400.00	\$ 26,928.00	\$ 27,467.00	\$ 28,016.00	\$ 28,576.00
Solid Waste Staff	\$ 13,200.00	\$ 26,928.00	\$ 27,467.00	\$ 28,016.00	\$ 28,576.00
Total Salaries	\$ 71,280.00	\$ 86,169.60	\$ 87,894.40	\$ 89,651.20	\$ 91,443.20
Social Security Tax (Employer)	\$ 4,419.36	\$ 5,342.52	\$ 5,449.45	\$ 5,558.37	\$ 5,669.48
Workers compensation	\$ 762.70	\$ 922.01	\$ 940.47	\$ 959.27	\$ 978.44
Unemployment	\$ 2,423.52	\$ 2,929.77	\$ 2,988.41	\$ 3,048.14	\$ 3,109.07
Medicare	\$ 1,006.47	\$ 1,216.71	\$ 1,241.07	\$ 1,265.87	\$ 1,291.18
State Disability	\$ 641.52	\$ 775.53	\$ 791.05	\$ 806.86	\$ 822.99
Total Salaries and Benefits	\$ 80,533.57	\$ 97,356.14	\$ 99,304.85	\$ 101,289.72	\$ 103,314.36
Services and Supplies:					
Election	\$ 46,000.00		\$ 23,000.00		\$ 23,000.00
Attorney	\$ 20,000.00	\$ 20,000.00	\$ 12,000.00	\$ 12,000.00	\$ 12,000.00
Contract for Finance Support	\$ 12,000.00	\$ 12,000.00	\$ 12,000.00	\$ 12,000.00	\$ 12,000.00
LAFCO Apportionment	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00	\$ 200.00
Audit	\$ 6,000.00	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00	\$ 3,000.00
utilities	\$ 23,000.00	\$ 24,150.00	\$ 25,358.00	\$ 26,625.00	\$ 27,957.00
Insurance	\$ 7,000.00	\$ 7,000.00	\$ 7,000.00	\$ 7,000.00	\$ 7,000.00
Equipment and Supplies	\$ 30,000.00	\$ 31,500.00	\$ 33,075.00	\$ 34,729.00	\$ 36,465.00
Streetlights	\$ 3,500.00	\$ 3,500.00	\$ 3,500.00	\$ 3,500.00	\$ 3,500.00
Solid Waste Recycle program	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00	\$ 10,000.00
Solid Waste Disposal Fee	\$ 112,044.00	\$ 113,724.66	\$ 115,430.53	\$ 117,161.99	\$ 118,919.42
Skate Park Loan	\$ 27,000.00	\$ 27,000.00	\$ 27,000.00	\$ 27,000.00	\$ -
Total Services and Supplies	\$ 296,744.00	\$ 252,074.66	\$ 271,563.53	\$ 253,215.99	\$ 254,041.42
Contingency (10% of total Expense)	\$ 37,727.76	\$ 34,943.08	\$ 37,086.84	\$ 35,450.57	\$ 35,735.58
TOTAL EXPENDITURES	\$ 415,005.33	\$ 384,373.88	\$ 407,955.22	\$ 389,956.28	\$ 393,091.35
Beginning Reserve	\$ -	\$ 48,719.67	\$ 96,107.08	\$ 123,004.82	\$ 170,047.57
Ending General Reserve	\$ 48,719.67	\$ 96,107.08	\$ 123,004.82	\$ 170,047.57	\$ 218,158.66

Calculation of Appropriation Limit:

For the formation of any new special district, the Commission is required to establish its provisional appropriation limit, also known as the Gann Limit, pursuant to requirements of the California Constitution. Government Code Section 56811 sets forth the required method to be utilized in calculating the provisional appropriation limit for the new WCSD. On June 28, 2016, Board Agenda Item 107, the San Bernardino County Board of Supervisors set the provisional appropriation limit for the County and its Board-governed special districts requiring such a determination. The appropriation limit for CSA 56 was set at \$552,129. Therefore staff's recommendation will include the following condition of approval:

- *Pursuant to the provisions of Government Code Section 56811, the provisional appropriation limit of the Wrightwood CSD shall be set at \$552,129. The permanent appropriation limit shall be established at the first district election held following the first full fiscal year of operation and shall not be considered to be a change in the appropriations of the district pursuant to Article XIIB of the California Constitution.*

Financial Effects on other Levels of Government:

As outlined at the outset of this discussion, one of the questions that the Commission is required to answer is whether or not the formation of the Wrightwood CSD would have a financial or service impact on other agencies. The operations of the County of San Bernardino Special Districts Department, for its recreation operations, will be impacted by the proposed reorganization. However, no representation from the County Special Districts Department has been provided outlining a financial effect upon its operations. There are no services directly provided by Los Angeles County that are proposed for transfer in this application; therefore there is no impact on their future operations.

FINANCIAL DETERMINATIONS:

Based upon the information and determinations outlined above, it is the staff's position that the Commission can make the following determinations:

1. The formation of the Wrightwood CSD is financially feasible and could provide for a reasonable reserve during the first three (3) years of its existence based upon the modifications in its financial feasibility study made by LAFCO staff.
2. The formation can maintain the pre-formation service levels that are currently provided within the area and provide for the long range planning necessary to provide for a higher level of service in the future as resources become available or service delivery is mandated by State agencies.
3. The implementation of the reorganization would not be adverse financially to other agencies providing services nor would it damage the ability of other agencies to provide their range of services with implementation of the conditions and

determinations outlined above for transfer of property tax revenues, etc.

4. The implementation of the reorganization would not impair any other agency currently serving within the area.

ENVIRONMENTAL CONSIDERATIONS

ENVIRONMENTAL: Will the proposed reorganization have an adverse environmental effect that cannot be mitigated to a level of non-significance? If it does, can those adverse effects be overridden by other benefits?

The Commission is the lead agency for review of potential environmental consequences of the reorganization evaluated in this report. LAFCO staff has provided the Commission's Environmental Consultant, Tom Dodson and Associates, with the application materials and supplemental information provided by the project applicant and LAFCO staff. Mr. Dodson reviewed the proposal and has recommended that the reorganization is statutorily exempt from the California Environmental Quality Act (CEQA) (copy of letter included as Attachment #10).

This determination is based on the fact that the reorganization will transfer the delivery of streetlighting, park and recreation and solid waste services, and the staff's expansion to include wastewater, from one entity to another which will not result in any physical impacts on the environment. Therefore, this action is exempt as defined under Section 15061(b)(3) of the State CEQA Guidelines. It is recommended that the Commission adopt the General Rule Statutory Exemption for this proposal by taking the actions outlined in the Recommendation Section of this report.

DETERMINATIONS

The following determinations are required to be provided by Commission policy and Government Code Section 56668 for all proposals considered:

1. The Registrars of Voters have determined that the reorganization study area is legally inhabited, containing a total of 2,497 registered voters broken down by county as follows:
 - a. Los Angeles County: 114 voters as of June 17, 2016
 - b. San Bernardino County: 2,383 voters as of June 16, 2016.
2. The reorganization including formation does not conflict with the sphere of influence of any other entity within either Los Angeles or San Bernardino Counties.
3. The County Assessors have determined that the value of land and improvements within the study area is broken down as follows:
 - a. Los Angeles County total value is \$516,337,303
Land -- \$146,203,501; Improvements -- \$370,133,802

- b. San Bernardino County total value is \$513,625,252
Land -- \$145,911,207; Improvements -- \$367,714,045

- 4. In compliance with Commission policy and Government Code Section 56157, the Notice of Hearing for this proposal was provided by publication of an eighth-page (1/8 page) legal ad in The Mountaineer, a newspaper of general circulation in the area. Comments from landowners and any affected local agency have been reviewed and considered by the Commission in making its determination. Opposition has been received and considered by the Commission in making its determination.
- 5. In compliance with the requirements of Government Code Section 56125 due to the County of San Bernardino's special tax being transferred to the WCSD from those lands within San Bernardino County and 56157, individual notice was mailed to registered voters and landowners within the reorganization area (totaling 5,641). The number is broken down as follows:

Los Angeles County – 114 Registered Voters; 204 Landowners
San Bernardino county – 2,383 Registered Voters; 2,940 Landowners

Comments from registered voters and landowners have been considered by the Commission in making its determination.

- 6. The proposed reorganization including formation does not conflict with the established County General Plans for Los Angeles and San Bernardino Counties for their respective areas and has no direct impact on such land use designations.
- 7. The Southern California Association of Governments (SCAG) has adopted a Regional Transportation Plan and Sustainable Community Strategy pursuant to the provisions of Government Code Section 65352.5. Approval of LAFCO 3202 has no direct impact on these determinations but will provide for the delivery of park and recreation services to the whole of the community which supports the Sustainable Community Strategy.
- 8. The Local Agency Formation Commission has determined that this proposal is statutorily exempt from the California Environmental Quality Act (CEQA). This recommendation is based on the finding that the proposal will not change the area in which the service is provided; therefore, no physical affect upon the environment can be foreseen. The Commission certifies it has reviewed and considered the environmental recommendation and finds that a General Rule Statutory Exemption as authorized under Section 15061(b) (3) of the State CEQA Guidelines is appropriate. The Commission adopted the Statutory Exemption and directed the Executive Officer to file a Notice of Exemption within five (5) days with the San Bernardino County Clerk of the Board of Supervisors.
- 9. The local agencies currently serving the area are:

County of San Bernardino (portion)

County of Los Angeles (portion)
Mojave Desert Resource Conservation District (San Bernardino County)
San Bernardino County Fire Protection District and its North Desert Service
Zone (fire protection, emergency medical response, ambulance – San
Bernardino County area)
Consolidated Fire District of Los Angeles County (fire protection, emergency
medical response for Los Angeles County area)
County Service Area 56 (streetlighting, park and recreation – San Bernardino
County portion of Wrightwood community)
County Service Area 70 (multi-function agency within San Bernardino
County)

The affected agency is CSA 56 which is to be dissolved as a function of this reorganization. The other agencies are not affected by this reorganization as they are regional in nature or identified for service to a specific area.

10. The County of San Bernardino, as the proponent for LAFCO 3202, has submitted a Feasibility Study prepared by the Feasibility Committee for a Wrightwood Community Services District, which provides a general outline of the delivery of services mandated by Government Code Section 56653 for a plan for providing services. This Plan and the Fiscal Impact Analysis indicates that the transfer of service to the Wrightwood Community Services Districts upon its formation, can, at a minimum, maintain the level of service delivery currently received by the area. The Feasibility Study, including its amendments and supplements, shows that the Community Service District has sufficient revenues to provide its active range of services (park and recreation, streetlighting, and solid waste) upon formation. In addition, the staff's modification to include wastewater as an active function would only be provided should the requirement for sewerage a portion of the community be mandated by the Lahontan Regional Water Quality Control Board. The Feasibility Study and its supplemental information have been reviewed and compared with the standards established by the Commission and the factors contained within Government Code Section 56668. The Commission finds that such Study, its supplemental data and the Fiscal Impact Analysis as revised by LAFCO staff, conform to those adopted standards and requirements.
11. The reorganization area can benefit from the availability and extension of services, as evidenced by the Feasibility Study and its supplemental data.
12. This proposal will not affect the fair share allocation of the regional housing needs assigned to either the County of Los Angeles or the County of San Bernardino through the Southern California Association of Government's (SCAG) Regional Housing Needs Allocation (RHNA) process.
13. With respect to environmental justice, the reorganization provides for the continuation of existing park and recreation, streetlighting and solid waste (refuse collection) services within the area as well as the ability to plan and engineer a wastewater system should the mandate for same occur. The delivery of these

services through a locally-elected special district will not result in the unfair treatment of any person based upon race, culture or income.

14. This proposal complies with Commission and State policies that indicate the preference for the creation of multi-purpose agencies to serve growing communities. This position is taken on the basis that areas proposed for formation as a community services district can be planned, funded, services extended and maintenance funding put in place for the full range of service needs as identified by the community.
15. The maps and legal descriptions, as revised are in substantial compliance with LAFCO and State standards through certification by the County Surveyor's office for San Bernardino County.

CONCLUSIONS

Through the review process for LAFCO 3202, the preparation of the staff report and its analysis of the financial implications for the creation of a new government for the Wrightwood community, staff has compiled the information and data necessary to evaluate the application. It has been acknowledged that the Wrightwood community is a growing community through the transition from part-time vacation cabins to a permanent population, one which supports the retention of its rural mountain lifestyle. There has been little opposition to the proposal as presented by the County in its application from within the community, and there is a desire from at least a portion of the community to seek local-control of their services. Approval of LAFCO 3202 by the Commission would provide for:

- A. A permanent form of government governed by the local citizenry to provide locally adequate levels of service;
- B. A mechanism to expand its service options in the future under the provisions of the Community Services District law based upon the desires of the community, the financial wherewithal of the agency, and the review and determination of LAFCO; and,
- C. A form of government which is an alternative to the formation of a new city since the area is bisected by the county line precluding any future incorporation without legislative change.

However, the staff's expansion of the proposal to include wastewater services has drawn concern from some of the landowners and/or property owners on its effects upon them. Staff has attempted to assuage those fears through the identification that this service will be limited to the planning necessary for a wastewater treatment plant and transmission lines should such be mandated by the State authority, the Lahontan Regional Water Quality Control Board and actual service provision would require further review by San Bernardino LAFCO as required by Government Code Section 56824.10 et seq. For these reasons and those identified in the reports, the proposal for formation of the Wrightwood Community Services District could be approved.

However, over the last three years, the Commission and staff have struggled with small community services districts, much like the Wrightwood CSD, which have been confronted with significant financial and governance issues based upon their small size and limited financial resources. There is no way to legislate through the Commission's approval process that a newly formed Wrightwood CSD appoint experienced staff which can chart its path for the future, or that it protect its limited resources to assure continuation of those services to be able to provide for the quality of life for this mountain community. So, staff is torn between a recommendation for approval based on: (1) staff's revisions to the application which include adding the service of wastewater to the proposed CSD's functions to address a potential future mandate to protect the community's groundwater, and (2) providing a singular voice for the community of Wrightwood by uniting both the San Bernardino County and Los Angeles County portions of the community; or a recommendation for denial based on: (1) the community has not sufficiently developed to the population size that would require self-governance, and (2) the apparent lack of desire to assume responsibility for all of the community's service needs by excluding wastewater planning and engineering which is contrary to State law's directives to local LAFCOs.

Therefore, staff cannot make a direct recommendation on this proposal, leaving that determination to the Commission after review of the report and the testimony from the community at the hearing to determine whether the proposal should be approved or denied. In response to those two options, staff is providing the actions necessary should be the Commission pursue either option with its recommendation.

RECOMMENDATION

If the Commission determines, based upon the staff report and testimony presented at the hearing, that the community of Wrightwood is not ready for self-governance of its overall service needs and that it is not of a sufficient population size to manage the services for its community, staff recommends that:

1. The Commission deny LAFCO 3202 – Reorganization to include Formation of the Wrightwood Community Services District and Dissolution of County Service Area 56 on the basis that:
 - a. The community of Wrightwood has not sufficiently developed to the population size and density necessary to require self-governance;
 - b. The Plan for Service and Feasibility Study, as modified by staff, has not shown the District's ability to manage the financial aspects of the delivery of the services identified in the application; and,
 - c. The failure to address the service needs required for the community by excluding wastewater planning and engineering when historically the problems associated with groundwater quality based upon on-site wastewater disposal systems on groundwater quality have been discussed

by the Regional Water Quality Control Board.

- d. Approval of the proposal as presented for developed portions of the community do not meet the criteria established by State law to provide for a permanent form of government to provide locally adequate services and advantageously provide for the present and future needs of the local communities; and,

2. Adopt LAFCO Resolution No. 3227 reflecting those determination and terminating proceedings.

However, if the staff report and testimony presented at the hearing leads the Commission to believe that the community is ready for self-governance for the full range of services that are necessary for its quality of life, staff would recommend that the Commission approve LAFCO 3202 by taking the following actions:

1. Modify LAFCO 3202 – Reorganization to include Formation of the Wrightwood Community Services District et al. to include the function of wastewater through the assignment of the service for planning and engineering a regional service and the expansion of the boundary to the north and east within San Bernardino County;
2. Certify that LAFCO 3202, as modified, is statutorily exempt from environmental review and direct the Executive Officer to file a Notice of Exemption within five days;
3. Approve LAFCO 3202 – Reorganization to include Formation of the Wrightwood Community Services District, et al. as modified to include the wastewater service as an active function/services for the modified area shown on the map attached to this staff report, with the following determinations:
 - a. Pursuant to the requirements of Government Code Section 61014, the Commission finds that the Wrightwood CSD has sufficient revenues to perform the services as outlined in its application for streetlights, park and recreation, and solid waste, and as modified by LAFCO, to include wastewater planning, and to provide for a reasonable reserve for the next three years.
 - b. Pursuant to requirements of Government Code Section 56301, the Commission determines that existing agencies cannot provide the range and level of services contemplated to be provided by the Wrightwood CSD in both Los Angeles and San Bernardino Counties in a more efficient and accountable manner.

And with the following terms and conditions:

Condition No. 1. The boundaries of this change of organization, as modified by the Commission, are approved as set forth in Exhibits “A”, and “A-1” attached;

Condition No. 2. The following distinctive short-form designation shall be used through this proceeding: LAFCO 3202;

Condition No. 3. The effective date of this reorganization shall be July 1, 2017;

Condition No. 4. The Wrightwood Community Services District shall be the successor agency and shall function under and carry out all authorized duties and responsibilities assigned to a community services district as outlined in Government Code Section 61000 et seq., Community Services District Law, and other applicable laws. Upon the Effective Date of this reorganization, the legal existence of County Service Area 56 shall cease to exist, except as otherwise required by law, and the Wrightwood Community Services District, as successor District, shall succeed to all the rights, duties, responsibilities, properties (both real and personal), contracts, equipment, assets, liabilities, obligations, functions, executory provisions, entitlements, permits and approvals of the extinguished agency;

Condition No. 5. The Board of Directors of the Wrightwood CSD shall consist of five (5) members, elected at-large, pursuant to the provisions of Government Code Section 61020;

Condition No. 6. The Wrightwood Community Services District shall be authorized to provide the following functions and services as active powers:

Streetlighting -- Acquire, construct, improve, maintain and operate streetlighting and landscaping on public property, public right-of-way, and public easements (§61100(g)).

Park and Recreation -- Acquire, construct, improve, maintain, and operate recreation facilities, including, but not limited to, parks and open space, in the same manner as a recreation and park district formed pursuant to the Recreation and Park District Law (commencing with Section 5780) of the Public Resources Code (§61100f)).

Solid Waste and Recycling-- Collect, transfer, and dispose of solid waste and refuse and provide solid waste handling service, including, but not limited to, source reduction, recycling, composting activities, pursuant to Division 30 (commencing with Section 40000), and consistent with Section 41821.2 of the Public Resources Code.

Wastewater – Planning and engineering for the potential development of a regional wastewater treatment system should such be required by the Lahontan Regional Water Quality Control Board in the same manner as a sanitary district, formed pursuant to Sanitary District Act of 1923 Division 6 (commencing with Section 6400) of the Health and Safety Code.

Condition No. 7. The Wrightwood CSD, as the successor district, shall accept all system facilities transferred from the dissolving County Service Area 56 in “as is” condition without any payment or repair obligation from the assets of the dissolving

agency (Government Code Section 56886(h)). All material and incidental liabilities, including, but not limited to, accounts payables, contract obligations and customer deposits, held by the dissolving entities shall be transferred to the successor district upon the effective date of the reorganization (Government Code Section 56886(h)). All assets, including, but not limited to, cash reserves, buildings and other real property, rolling stock, tools, and office furniture, fixtures and equipment, all lands, buildings, real and personal property and appurtenances held by the dissolving entity shall be transferred to the successor district upon the effective date of the reorganization (Government Code Section 56886(h)). All quitclaim deeds to effectuate the transfer of land and/or buildings shall be prepared by the County of San Bernardino Special Districts Department to be filed upon the effective date of the change with a copy provided to LAFCO;

Condition No. 8. All property tax revenues attributable to County Service Area 56, prior to calculations required by Section 96.1 of the Revenue and Taxation Code, including delinquent taxes, and any and all other collections or assets of the District to be dissolved, shall accrue and be transferred to the successor District, the Wrightwood CSD, pursuant to the provisions of Government Code Section 56810. In providing for this calculation, the full amount of the base year allocation for value/revenue for CSA 56, increment experienced within CSA 56 boundaries, and the revenue shifts previously approved by completion of LAFCO 3070 shall be transferred to the WCSD upon its formation;

Condition No. 9. All previously authorized charges, fees, assessments, and/or taxes of County Service Area 56 in effect upon the effective date of this reorganization shall be continued and assumed by the Wrightwood CSD, as the successor agency, in the same manner as provided in the original authorization pursuant to the provisions of Government Code Section 56886(t);

Condition No. 10. Until duly revised by the Wrightwood CSD, and unless otherwise expressly provided herein or legally required, all ordinances, resolutions, rules and regulations, policies, procedures, and practices existing for CSA 56 on the effective date of this reorganization shall govern the activities and affairs of the Successor District. The Board of Directors of the Wrightwood CSD, as the successor district, shall expeditiously review and ratify the ordinances, resolutions, policies, procedures and practices adopted hereby, making such revisions as it shall deem appropriate;

Condition No. 11. Upon the effective date of this reorganization, any funds currently deposited for the benefit of County Service Area 56 which have been impressed with a public trust, use or purpose shall be transferred to the Wrightwood CSD, as the successor agency, and the successor agency shall separately maintain such funds in accordance with the provisions of Government Code Section 57462;

Condition No. 12. Pursuant to the provisions of Government Code Section 56811, the provisional appropriation limit of the Wrightwood CSD shall be set at \$552,129. The permanent appropriation limit shall be established at the first district election held following the first full fiscal year of operation and shall not be considered to be a change in the appropriation limit of the district pursuant to Article XIIIB of the

California Constitution;

- **Condition No. 13.** All streetlights currently the responsibility of County Service Area 56 shall be transferred to the Wrightwood CSD upon successful formation of the District. The County Special Districts Department shall prepare the appropriate documentation to transfer the streetlights; LAFCO staff shall verify the data, and forward the signed authorization form requesting Southern California Edison to transfer the specific streetlights to the Wrightwood CSD accounts upon successful completion of LAFCO 3202;

Condition No. 14. Upon the effective date of the reorganization to include formation, the Wrightwood Community Services District, as the successor agency for County Service Area 56, shall continue to pay the installment payments required for the County Service Area Revolving Loan Fund Loan for development of the Skate Park and other improvements pursuant to Government Code Section 56886(a). The terms of that Loan are found in Resolution No. 2013-__ adopted on July 23, 2013;

Condition No. 15. Pursuant to the provisions of Government Code Section 56885.5(a)(4), the County Board of Supervisors, as the governing body of County Service Area 56, is prohibited from taking the following actions unless an emergency situation exists as defined in Section 54956.5:

1. Approve any increase in compensation or benefits for members of the governing body, its officers, or the executive officer of the agency;
2. Appropriating, encumbering, expending or otherwise obligating, any revenues of the agencies beyond that provided in the current budget at the time the reorganization is approved by the Commission. The Commission identifies that the budget to be utilized in this condition shall be the final budget for Fiscal Year 2016-17 adopted by the County Board of Supervisors on June 14, 2016;

Condition No. 16. Pursuant to Government Code Section 56886.1, public utilities, as defined in Section 216 of the Public Utilities Code, have ninety (90) days following the recording of the Certificate of Completion to make the necessary changes to impacted utility customer accounts;

Condition No. 17. The County of San Bernardino, applicant, shall indemnify, defend, and hold harmless the Commission from any legal expense, legal action, or judgment arising out of the Commission's approval of this proposal, including any reimbursement of legal fees and costs incurred by the Commission.

4. Adopt LAFCO Resolution No. 3227 either approving or denying LAFCO 3202 setting forth the Commissions determinations, terms, and conditions for the chosen action.

KRM/

Attachments:

- 1 -- Maps – Vicinity, Location, and Proposal Maps for the Wrightwood Community Services District
- 2 -- Resolution No. 2015-17 Initiating Proposal, Budget Prepared by LAFCO Staff; Budget Prepared by Committee, Letter from Applicant and Committee on staff proposed modifications, Application Including Feasibility Study
- 3 -- Letters from County of Los Angeles Dated May 11, 2016, March 23, 2016, March 16, 2016, March 2, 2016, and January 21, 2016 Related to Position on LAFCO 3202
- 4 -- Letter from San Bernardino County Registrar of Voters Dated June 20, 2016 Regarding Cost of Election
- 5 -- Letter Dated April 18, 2016 Regarding County of San Bernardino Special District Department Response of LAFCO 3202
6. Letter Dated April 27, 2016 Confirming Requirements for Transfer of Refuse Disposal Land Use Fee
7. Letter Dated June 13, 2016 from San Bernardino Auditor Controller Regarding Property Tax Transfer for LAFCO 3202 Pursuant to Government Code Section 56810
- 8 -- San Bernardino County Board of Supervisors Agenda Item #38 from July 23, 2013 Related to County Service Area Revolving Fund Loan
- 9 -- Letter Dated June 30, 2016 from the Lahontan Regional Water Quality Control Board and Memo to File dated June 26, 2016 Regarding Discharge Requirements for the Wrightwood community
10. Letter Dated June 19, 2016 from Tom Dodson, of Tom Dodson and Associates, Recommending Statutory Exemption for LAFCO 3202
11. Draft Resolution to Approve or Deny LAFCO 3202